House
REPUBLICAN
Conference

FloorPrep

Legislative Digest

Thursday, July 22, 1999

J.C. Watts, Jr.
Chairman
4th District, Oklahoma

House Meets at 11:00 a.m. for Legislative Business

Anticipated Floor Action:
H.R. 2488—Financial Freedom Act
H.R. 1074—Regulatory Right-to-Know Act (Rule Only)
H.R. 2561—FY 2000 Department of Defense Appropriations Act

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H.R. 2488—Financial Freedom Act

Floor Situation: The House will continue consideration of H.R. 2488 as its first order of business today. Yesterday, the House adopted a structured rule (which self-executed a manager's amendment outlined below) and completed approximately one hour of general debate. Under the rule, approximately one hour of general debate remains, equally divided between the chairman and ranking minority member of the Ways & Means Committee. The rule makes in order a substitute amendment by Mr. Rangel, debatable for one hour equally divided between Mr. Rangel and an opponent. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.R. 2488, as amended by the manager's amendment (see below for details), provides approximately $792 billion in broad-based tax relief, highlighted by a 10 percent across-the-board reduction in individual income tax rates. In addition, the bill:

* reduces the impact of the "marriage penalty" by increasing the standard deduction for married couples to twice that of a single person;

* provides several types of education tax relief. Specifically, the bill (1) expands the acceptable use of tax-free expenditures from education savings accounts (ESAs) to include elementary and secondary school expenses; (2) increases to $2,000 annually (from $500 under current law) the maximum amount of contributions to ESAs; (3) allows tax-free withdrawals from qualified tuition plans maintained by private educational institutions; and (4) includes an initiative to help finance local public school construction;

* includes measures designed to reform pensions and enhance retirement security. Specifically, the bill (1) increases portability of pensions so employees may "roll over" plans from one job to the next; (2) provides additional salary "catch-up" contributions for workers over age 50 (i.e., these individuals may deposit additional amounts into certain retirement accounts); (3) lowers the vesting requirement of pension plans so employees are vested after three years instead of five; (4) increases contribution and benefit limits in defined contribution and benefit plans; (5) simplifies the pension system to help businesses offer or improve their pension plans;

* reduces the individual capital gains tax rates from 20 percent to 15 percent and from 10 percent to 7.5 percent (for taxpayers in the 15 percent individual income tax bracket);

* gradually eliminates the estate and gift tax over a 10-year period;

* includes measures to make health care and long-term care more affordable and accessible. For example, the bill (1) provides a 100 percent deduction for health insurance premiums and long-term care insurance premiums; (2) provides an additional exemption (currently $2,750) for individuals who care for elderly family members at home; (3) expands the availability of medical savings accounts (MSAs) and makes the MSA program permanent; and (4) allows employers to offer long-term care insurance in "cafeteria" plans;

* authorizes the HUD Secretary to designate 20 "renewal communities" in both urban and rural areas, allowing them to qualify for special tax incentives to create jobs, stimulate investment, and assist families in impoverished neighborhoods;

* phases out the alternative minimum tax for both individuals and corporations;

* extends a number of expiring tax credits, including the research, work opportunity, and welfare-to-work tax credits;

* allows Medicare beneficiaries to take an above-the-line deduction (i.e., individuals may take the deduction whether or not they itemize) to cover the cost of prescription drug insurance coverage, contingent upon certain Medicare changes; and

* includes a number of revenue offset provisions amounting to approximately $5 billion over 10 years.

— *Manager's Amendment* —

The rule adopted by the House yesterday self-executed (i.e., incorporated into the base text of the bill) a manager's amendment to make several changes to the bill, mostly by changing dates to phase in tax relief provisions more gradually. Specifically, it slows the implementation of the 10 percent across-the-board reduction in individual income tax rates. Beginning in 2002, the bill conditions continued implementation of the 10 percent across-the-board reduction on there being no increase in interest outlays for total U.S. federal government debt (i.e., public and trust fund debt). If interest outlays have increased, the amendment delays the next phase of the 10 percent reduction for one year (i.e., the bill delays the phase-in of the tax reduction for one year periods, beginning in 2002, whenever the public debt increases).

The manager's amendment reduces the corporate capital gains tax rate from 35 percent to 30 percent (instead of 25 percent in the bill) in 2004 and slows the repeal of the alternative minimum tax for individuals and corporations, as well as the estate, gift, and generation-skipping taxes. The manager's amendment also (1) phases in the exclusion of interest and dividend income more gradually; (2) eliminates from the bill several minor miscellaneous pension provisions; and (3) adds a new provision to stipulate that the 100-percent-of-compensation limit does not apply to multi-employer defined benefit pension plans.

The manager's amendment expresses the sense of Congress on its commitment to debt reduction, stating that (1) the national public debt of the United States is $3.6 trillion; (2) the federal budget is projected to produce a surplus annually for the next 10 fiscal years; (3) refunding taxes and reducing the national public debt will ensure continued economic growth and financial freedom for future generations; and (4) the national public debt will be reduced from $3.6 trillion to below $1.6 trillion by FY 2009.

Finally, the amendment waives pay-as-you-go requirements (which require that any tax reduction be offset by an equivalent amount of spending reductions or tax increases) with respect to the bill.

Views: The Republican leadership strongly supports passage of the bill. President Clinton opposes the bill in its current form and has threatened to veto it.

Amendments: As stated above, the rule makes in order the following substitute by Mr. Rangel or his designee:

— Rangel Substitute —

Mr. Rangel will offer a substitute, debatable for one hour, to provide $250 billion in tax cuts over 10 years (assuming the bill took effect immediately). The substitute provides tax relief in many of the same areas as the base bill, simply on a smaller scale. However, it contains a "trigger mechanism" under which most of the tax relief will not take effect until legislation is enacted to ensure the long-term solvency of Social Security and Medicare. The trigger provision does not apply to the extension of expiring tax provisions or revenue offset provisions. Specifically, the substitute:

* reduces the impact of the "marriage penalty" by (1) increasing the standard deduction for married couples to twice that of a single person, and (2) increasing the dollar amount at which the earned income tax credit begins to phase out on a joint return (the substitute provides approximately $74 billion in marriage penalty mitigation as opposed to $47 billion in the base bill);

* provides an additional $250 per-child tax credit (estimated to provide $17 billion in tax cuts over 10 years) for children under age five (current law provides a $500 per child tax credit for children under age 17);

* allows an individual taxpayer to take a deduction for state and local retail sales taxes in lieu of a deduction for state income taxes (provides an estimated $17 billion in tax cuts over 10 years; individuals in Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming would be the biggest beneficiaries under this provision, as these states have sales taxes but no income tax);

* makes permanent the provision allowing non-refundable personal tax credits to be used fully without regard to the alternative minimum tax (an identical provision is included in the base bill);

* permits state and local governments to issue qualified school construction bonds to fund public school construction or rehabilitation projects. The federal government will effectively pay for the interest on these bonds through an annual tax credit. Half of the funds available will be allocated to local education agencies on the basis of their population of low-income children. The other half will be allocated to the 100 largest school districts in the country;

* permanently allows individuals to exclude employer-provided educational assistance from taxable income and makes the exclusion available to graduate students;

* provides a $1,000 tax credit to families who care for individuals with long-term care needs (the base bill provides an additional exemption—currently $2,750—for individuals who care for elderly family members at home); and

* permanently extends the research, work opportunity, and welfare-to-work tax credits.

The substitute also (1) accelerates (i.e., phases in more quickly) the $1 million estate tax exemption and 100 percent self-employed deductible for the health insurance costs; (2) increases the low-income housing tax credit program and the new markets tax credit proposed by the president to revitalize depressed areas; (3) increases expensing limits for small businesses; (4) includes a number of provisions to enhance pensions; and (5) establishes a commission to study tax simplification. Finally, the substitute includes a number of revenue offset provisions amounting to approximately $15 billion over 10 years. ***Contact: Ways & Means Minority, x5-4021***

Additional Information: See *Legislative Digest*, Vol. XXVIII, #21, Pt. II, July 19, 1999.

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H.R. 1074—Regulatory Right-to-Know Act (Rule Only)

Floor Situation: The House will consider the rule for H.R. 1074 after it completes consideration of H.R. 2488. Yesterday, the Rules Committee granted a modified open rule that provides one hour of general debate, equally divided between the chairman and ranking minority member of the Government Reform Committee. The rule makes in order a committee substitute amendment as base text. It makes in order only those amendments that have been pre-printed in the *Congressional Record.* The chairman of the Committee of the Whole may postpone votes and reduce the voting time on a postponed vote to five minutes, so long as it follows a regular 15-minute vote. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.R. 1074 requires the president, acting through the director of the Office of Management and Budget (OMB), to submit to Congress a comprehensive annual accounting statement and report containing an estimate of the total annual costs and benefits of federal regulatory programs (including rules and paperwork) beginning February 5, 2001. Costs and benefits must be specified (1) in the aggregate; (2) by agency, agency program, and program component; and (3) by major rules.

The OMB director must include the net benefits or net costs for program components, major rules, and significant options in the case of existing analyses. The accounting statements must cover the current fiscal year, the two preceding fiscal years, and the four following fiscal years (this is identical to the time series used in the U.S. Government Budget). In addition, the accounting statement must include:

* an analysis of the impact of federal rules and paperwork on (1) state, local, and tribal governments; (2) the private sector; (3) small business; (4) wages; (5) consumer prices; (6) economic growth; (7) public health; (8) public safety; (9) the environment; (10) consumer protection; (11) equal opportunity; and (12) other public policy goals;

* an analysis of overlaps, duplications, and potential inconsistencies among federal regulatory programs; and

* recommendations to reform inefficient or ineffective regulatory programs or program components.

The bill was introduced by Mr. Bliley, *et al.* and was reported by voice vote by the Government Reform Committee on May 19, 1999. Assuming appropriation of necessary amounts, CBO estimates that enactment will increase federal reporting costs by less than $500,000 a year.

Views: The Republican leadership supports passage of the bill. An official Clinton Administration viewpoint was unavailable at press time.

Additional Information: See *Legislative Digest*, Vol. XXVIII, #21, July 16, 1999.

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H.R. 2561—FY 2000 Department of Defense Appropriations Act

Floor Situation: The House will consider H.R. 2561 after it completes consideration of the rule for H.R. 1074. Appropriations bills are privileged and may be considered anytime three days after they are filed. Yesterday, the Rules Committee granted an open rule providing for one hour of general debate, equally divided between the chairman and ranking minority member of the Appropriations Committee. The rule waives points of order against consideration of the bill. It also waives House rules prohibiting unauthorized appropriations and legislative measures in an appropriations bill. The rule accords priority in recognition to members who have their amendments pre-printed in the *Congressional Record.* It permits the chairman of the Committee of the Whole to postpone votes and reduce the voting time on a postponed vote to five minutes, so long as it follows a regular 15-minute vote. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.R. 2561 appropriates $266.1 billion in new FY 2000 budget authority—$1.3 billion more than the FY 1999 level (which included $16.1 billion in emergency appropriations) and $2.8 billion more than the president's request—to sustain military personnel, develop and purchase military hardware, and maintain the operational readiness of U.S. forces.

Overall, the bill authorizes: (1) $72 billion for military personnel (this amount adds to $1.8 billion passed in the FY 1999 emergency appropriation for higher military pay); (2) $93.7 billion ($2.4 billion more than the president's request) for operations and maintenance and working capital funds; (3) $53 billion ($1.2 billion more than the president's request) for weapons procurement; and (4) $37.2 billion ($2.8 billion more than the president's request) for research and development. The bill makes reductions from the president's request for over 280 programs, including cuts of over $3.7 billion targeted at headquarters and administration, personnel overbudgeting, consultants and advisory services, travel, data processing, personnel management programs, and weapons acquisition program costs that the committee believes are duplicative, of low priority, or have experienced excessive growth.

The bill also provides: (1) $167 million to boost the military pay raise to 4.8 percent (thus increasing the 4.4 percent raise that was funded in the FY 1999 emergency supplemental); (2) $2.7 billion for 36 F-18E/F fighters (equal to the president's request); (3) $856 million for eight V-22 Osprey aircraft ($60 million and one aircraft more than the president's request); (4) $749 million (equal to the president's request) for a New Attack Submarine; (5) $11.1 billion for the Defense Health Program ($244 million more than requested); (6) $884 million for DOD drug interdiction activities ($96 million more than the president requested); and (6) $175 million (the president did not request funds) for breast cancer research and $75 million for prostate research.

The bill does not provide funding to purchase the first six of the planned 339 F-22 warplanes, which would have cost approximately $1.8 billion. These savings were rerouted to vital programs such as pilot retention. However, the bill does include $1.2 billion for research and development for tactical aircraft, which includes the F-22.

The bill provides a total of $3.9 billion ($227 million more than the president's request) for programs managed by the Ballistic Missile Defense Organization, which includes: (1) $762 million ($75 million less than the president's request) for National Missile Defense; (2) $528 million ($494 million more than the president's request) for the Theater High Altitude Air Defense (THAAD) program; and (3) $420 million ($90 million more than the president's request) for the Navy Theater-wide, "Upper-Tier" missile program.

Views: The Republican leadership supports passage of H.R. 2561. The Clinton Administration opposes several provisions in the bill, including (1) the deletion of the procurement funds for the F-22; (2) the addition of $5 billion to the president's total request; and (3) selected program increases and reductions.

Amendments: At press time, the *Legislative Digest* was aware of the following amendments to H.R. 2561:

Mr. Barr may offer an amendment (#1) to prohibit any funding in the bill from being used to provide assistance to the practice of witchcraft or Wicca on any military installation or vessel. ***Contact: x5-2931***

Mr. Barr may offer an amendment (#2) to prohibit any funding in the bill from being used to promulgate or implement final regulations under the American Indian Religious Freedom Act that would allow the use of peyote by armed forces members. ***Contact: x5-2931***

Mr. Barr may offer an amendment (#3) to prohibit any of the bill's funds from being used to purchase goods manufactured by the Zvezda-Strela company, or one of its subsidiaries or partners, or the Spetstekhnike Joint Stock Company. It also prohibits the purchase of any goods marketed by Spetstekhnika or any products designed by the Zvezda Design Bureau in Russia. ***Contact: x5-2931***

Mr. Blagojevich may offer an amendment (#4) to prohibit funds in the bill from being used to transfer ammunition from the Department of Defense that has a center fire cartridge and is classified as armor piercing to the Talon Manufacturing Company. ***Contact: x5-4061***

Mr. Blagojevich may offer an amendment (#5) to prohibit funds in the bill from being used to transfer ammunition from the Department of Defense that has a center fire cartridge and is classified as armor piercing to any nongovernmental entity. ***Contact: x5-4061***

Mr. Kucinich may offer an amendment (#6) to direct the Comptroller General, the director of the Congressional Budget Office, and the director of the Congressional Research Service to evaluate various aspects of the air campaign conducted by NATO against the Federal Republic of Yugoslavia during *Operation Allied Force*, such as (1) the damage that the NATO plan for the air campaign identified as necessary; (2) the reasons why that damage was identified as being necessary; (3) the extent to which the air campaign achieved the desired level of damage; and (4) the role of the bombing in obtaining the agreement of Yugoslavia to the Military Technical Agreement of June 10, 1999. ***Contact: x5-5871***

Mr. Kucinich may offer an amendment (#7) to prohibit funds in the bill from being used to procure any type of cluster bomb. ***Contact: x5-5871***

Mr. Stearns may offer an amendment (#8) restore $1.85 billion to procure F-22 aircraft that was authorized but not appropriated. The funding will be derived from unobligated amounts provided in this year's emergency supplemental appropriations bill (*P.L. 106-31)* for the Overseas Contingency Operations Transfer Fund. ***Contact: x5-5744***

Mr. Terry may offer amendment to encourage both the Secretary of Defense and the respective service secretaries to examine all potential cost savings when conducting an A-76 study—which analyze which military positions maybe contracted to the private sector—by including the National Guard and the Reserve components of the armed forces into their cost savings formulas. ***Staff Contact: Mark Anderson, x5-4155***

Additional Information: See *Legislative Digest*, Vol. XXVIII, #21, July 16, 1999.

PLEASE NOTE: UNDER AN OPEN RULE, MEMBERS MAY OFFER NEW AMENDMENTS TO A BILL AT ANY TIME, REGARDLESS OF WHETHER THEY HAVE BEEN PRE-PRINTED IN THE *CONGRESSIONAL RECORD*.

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Amendment Alert!

Please attach the text of the amendment (if available) and fax to the *Legislative Digest* at x5-7298

J.C. Watts, Jr.
Chairman
4th District, Oklahoma

Member Sponsoring Amendment: ______________________ Bill #: ____________

Additional Co-sponsors (if any): ____

Staff Contact: _______________ Phone #: _________ Evening Phone #: _________

Description of the amendment: ____

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(Please include any additional or contextual information)

Reason for offering amendment (e.g., How will this change the bill or current law? Why should members support this change?): ______________________________________

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Legislative Digest reserves the right to edit descriptions for style, readability, and provisional accuracy.

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